

FISCAL UPDATE

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Legislative Services Agency

(515)-281-5279 FAX 281-8027

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GOVERNOR SIGNS MINIMUM WAGE INCREASE ACT - HF 1

HF 1



The Governor signed HF 1 (Minimum Wage Increase Act) on January 25. The Act raises the State's hourly minimum wage from the current federally mandated \$5.15 per hour to \$6.20 per hour, beginning April 1, 2007, and to \$7.25 per hour, beginning January 1, 2008.

The Act also raises the lower minimum wage of \$4.25 per hour, currently allowed for employees who have worked less than 90 days for an employer, to \$5.30 per hour, beginning April 1, 2007, and to \$6.35 per hour, beginning January 1, 2008.

Fiscal Impact



The table below displays the estimated potential fiscal impact that HF 1 will have on State salaries from all funding sources compared to the current law.

	FY 2007	FY 2008	FY 2009
Board of Regents	\$ 350,000	\$ 1,400,000	\$ 2,800,000
Universities			
Iowa Community Colleges	22,000	410,000	658,000
Veterans Home	18,000	88,000	141,000
Total	\$ 390,000	\$ 1,898,000	\$ 3,599,000

The table below displays the estimated General Fund fiscal impact that HF 1 will have compared to current law. The increase in costs could be covered by increased expenditures or reduced work hours.

	FY 2007	FY 2008	FY 2009
Board of Regents	\$ 35,000	\$ 140,000	\$ 280,000
Universities			
Iowa Community Colleges	220	4,100	6,580
Veterans Home	18,000	88,000	141,000
Total	\$ 53,220	\$ 232,100	\$ 427,580

More Information

The Fiscal Note for HF 1 is available on the LSA web site at:

http://www3.legis.state.ia.us/fiscalnotes/data/82_1189HHv2_FN.pdf

STAFF CONTACT: Ron Robinson (Ext. 16256)

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**GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR
THE ADMINISTRATION AND REGULATION
APPROPRIATIONS SUBCOMMITTEE**

FY 2008 Recommendations

The Governor is recommending a total of \$93.9 million from the General Fund and a total of \$20.9 million from Other Funds for FY 2008 for agencies funded by the Administration and Regulation Appropriations Subcommittee. This is an increase of \$7.9 million from the General Fund compared to estimated FY 2007.

Administrative Services



The Governor's recommendation for the Department of Administrative Services (DAS) is an increase of \$2.9 million from the General Fund. Significant changes include:

- An increase of \$2.0 million for a one-time appropriation for the I/3 System to be distributed among all users within State government. This portion of the System was previously funded with carryforward funds. In the future, departments will have to request additional funds individually to pay for I/3 System expenditures.
- An increase of \$872,000 for utilities in the Capitol Complex and Ankeny Lab.

Ethics

The Governor's recommendation for the Ethics and Campaign Disclosure Board is an increase of \$5,000 from the General Fund for a filing system that would allow documents to be submitted electronically.

Commerce



The Governor's recommendation for the Department of Commerce is an increase of \$240,000 from the General Fund. The change includes:

- An increase of \$200,000 for two Bank Examiners and one Information Technology Specialist.
- An increase of \$40,000 to replace a database server and for imaging solutions.

Governor's Office

The Governor's recommendation for the Governor's Office is an increase of \$300,000 from the General Fund to fund staff positions currently on loan from other departments.

Drug Control Policy

The Governor's recommendation for the Office of Drug Control Policy is an increase of \$1.8 million from the General Fund. The change includes:

- An increase of \$1.8 million to replace federal funds that support drug taskforces across the State.

Human Rights

The Governor's recommendation for the Department of Human Rights is an increase of \$509,000 from the General Fund. The change includes:

- An increase of \$489,000 for the Criminal and Juvenile Justice Planning Division for the administrative portion of the computer system maintenance previously reflected as infrastructure costs.

Inspections & Appeals

The Governor's recommendation for the Department of Inspections and Appeals is an increase of \$513,000 from the General Fund. The change includes:

- An increase of \$363,000 for the Administration Division for food establishment inspections in Polk and Jasper Counties.

- An increase of \$150,000 and 2.5 FTE positions to continue the expansion of the Court Appointed Special Advocates (CASA) Program across the State.

Management

The Governor's recommendation for the Department of Management is an increase of \$250,000 from the General Fund to fund a statewide performance audit of all government operations.

Revenue

The Governor's recommendation for the Department of Revenue is an increase of \$1.7 million from the General Fund. The change includes:

- An increase of \$367,000 to fully fund operating costs of the Property Assessment Appeal Board.
- An increase of \$1.3 million for additional enforcement officers and staff to increase collections and modernize compliance information systems.

Secretary of State



The Governor's recommendation for the Secretary of State's Office is a net increase of \$60,000 from the General Fund. The change includes:

- An increase of \$60,000 to replace a reduction in receipts from local governments. The new statewide voter registration system allows local governments to enter much of the information themselves, rather than having the Secretary of State's staff provide the service, and reduces receipts for that service from local governments.
- An increase of \$336,000 and 6.0 FTE positions for realignment of staff from Business Services to Administration, Elections, and Voter Registration.
- A decrease of \$336,000 and 6.0 FTE positions for realignment to Administration, Elections, and Voter Registration from Business Services.

IPERS

The Governor's recommendation for the Iowa Public Employees Retirement System (IPERS) is an increase of \$118,000 from the IPERS Trust Fund to pay for 1/3 costs.

Supplemental Approps.



The Governor is also recommending supplemental General Fund appropriations for FY 2007 in the following areas of Administration and Regulation:

- Department of Administrative Services – \$1.2 million to pay for additional utilities costs on the Capitol Complex.
- Department of Revenue – \$100,000 for additional start-up expenses associated with the Property Assessment Appeal Board.

More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the Legislative Services Agency (LSA) web site at:

<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Jess Benson (Ext. 14613)
Sam Leto (Ext. 16764)

GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR THE AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE

FY 2008 Recommendations

The Governor is recommending a total of \$40.1 million from the General Fund for FY 2008 for agencies funded by the Agriculture and Natural Resources Appropriations Subcommittee. This is an increase of \$462,000 compared to estimated FY 2007.

Agriculture



The Governor's recommendation for the Department of Agriculture and Land Stewardship is an increase of \$387,000. Changes include:

- An increase of \$257,000 for the Dairy Products Control Bureau.
- An increase of \$91,000 to increase the base budget for the Ankeny laboratory.
- An increase of \$38,000 to match funding to purchase computers for the Meat and Poultry Inspectors.

Natural Resources

The Governor's recommendation for the Department of Natural Resources is an increase of \$75,000 to complete the requirements of the federal Tier 2 reporting system and database development.

Environment First Fund



The Governor's recommendation for the Environment First Fund is an increase of \$2.5 million. Changes include:

- An increase of \$2.4 million for the Soil Conservation Cost Share Fund.
- An increase of \$150,000 for the Flood Prevention Study that was appropriated last year in HF 2782 (FY 2007 Infrastructure Appropriations Act).
- The Marine Fuel Tax Fund was moved out of the Environment First Fund. The funding for FY 2007 was \$2.5 million and the Governor is recommending funding of \$2.3 million for FY 2008.

More Information

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STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR'S FY 2008 BUDGET RECOMMENDATION FOR THE ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE

FY 2008 Recommendations

The Governor is recommending a total of \$38.8 million from the General Fund for agencies funded by the Economic Development Appropriations Subcommittee. This is an increase of \$1.9 million compared to estimated FY 2007.

Cultural Affairs



The Governor's recommendation for the Department of Cultural Affairs is a decrease of \$154,000. Significant changes include:

- An increase of \$185,000 to support building rental costs associated with the State Records Center Facility. The funding was provided by the Department of Administrative Services in FY 2007.
- A decrease of \$340,000 due to the elimination of one-time appropriations provided in FY 2007 as follows:
 - \$85,000 for an African-American History Museum.
 - \$250,000 for Historic Resource Development Emergency Grants.

Economic Development

The Governor's recommendation for the Department of Economic Development is an increase of \$1.0 million for Main Street/Rural Main Street Programs.

Board of Regents

The Governor's recommendation for the Board of Regents Economic Development efforts maintains the current level of funding.

Workforce Development

The Governor's recommendation for the Department of Workforce Development is an increase of \$1.0 million for Workforce Field Offices.

PERB

The Governor's recommendation for the Public Employment Relations Board (PERB) maintains the current level of funding.

Iowa Finance Authority

The Governor's recommendation for the Iowa Finance Authority (IFA) maintains the current level of funding.

Supplemental Approps.

The Governor is also recommending supplemental General Fund appropriations for FY 2007 in the following areas of Economic Development:

- \$25.0 million to the Department of Economic Development (DED) for the first of four installments to establish the Iowa Power Fund. The intent is to help home-grown energy businesses get started or expand and to leverage new private investments in renewable technologies. The future installments have not yet been identified.
- \$4.0 million for the DED to implement the recommendations of the Governor's Targeted Small Business Task Force. The funding will be used for special accelerators, financial assistance, coordination, compliance, and oversight, customer service and recognition, increased State Government use of targeted small businesses, and funding for the Department of Inspections and Appeals.
- \$1.5 million to the Department of Veterans Affairs for the Veterans Homebuyer Program, which is administered by the IFA. The Program originated with the transfer of funding from the Pay Differential Program.

**More Information**

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STAFF CONTACT: Ron Robinson (Ext. 16256)

GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR THE EDUCATION APPROPRIATIONS SUBCOMMITTEE

FY 2008 Recommendations

The Governor is recommending a total of \$1.140 billion from the General Fund for FY 2008 for agencies funded by the Education Appropriations Subcommittee. This is an increase of \$138.9 million compared to estimated FY 2007.

Dept. for the Blind

The Governor's recommendation for the Department for the Blind is an increase of \$400,000 for Title I and general operations support.

College Student Aid Comm.

The Governor's recommendation for the College Student Aid Commission is an increase of \$7.5 million. Significant changes include:

- An increase of \$41,000 for the Iowa Grant Program to serve 80 additional students (1,605 total).
- An increase of \$75,000 for the National Guard Education Assistance Program to restore funding that was deappropriated during the 2006 Legislative Session.
- An increase of \$5.0 million to establish an endowment fund for All Iowa Opportunity Scholarships. This is a new initiative that uses an Indiana program as a model and combines student character with scholarship. This Program is intended to supplement, not supplant, other grant programs. Funds will be deposited into an endowment fund until payments are required in FY 2010. The FY 2008 recommendation of \$5.0 million will be followed by a \$25.0 million recommendation for FY 2009. The funds are to provide scholarships to pay a year's tuition at a Regents university or up to two years at an Iowa community college. The scholarships will begin for students that are high school juniors during 2007-2008, and provide payments to eligible students during the 2009-2010 academic year.
- An increase of \$250,000 for the Vocational-Technical Tuition Grant Program to serve more students (3,292 total, an increase of 292). This proposal is part of a long-term plan to increase the appropriation by \$25,000 for each of the next three years.
- An increase of \$1.9 million for the Non-Profit Tuition Grant Program to serve more students (14,000 total). Maximum grant remains at \$4,000.
- An increase of \$207,500 for the For-Profit Tuition Grant Program to provide average grants of \$1,991 to 2,700 students.

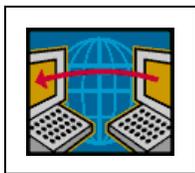


Dept. of Education

The Governor's recommendation for the Department of Education is an increase of \$105.6 million. Significant changes include:

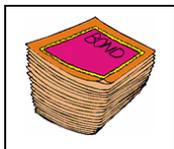
- An increase of \$400,000 for Administration to provide 4.0 FTE positions to support implementation of the model core curriculum and statewide graduation standards and the development of the Community College Management Information System.
- A new appropriation of \$400,000 to promote increased student opportunities, shared administrative functions, reorganization and dissolution incentives, and regional academies.
- A new appropriation of \$1.7 million to supplement federal funding for Special Education for at-risk children ages 0-3 under Part C of the Individuals with Disabilities Education Act (IDEA).





- A new appropriation of \$20.0 million to provide access to quality preschool for all four-year-old children.
- A new appropriation of \$300,000 to develop a program to make available more college-level courses to high school students. The Governor is also recommending a FY 2009 appropriation of \$3.0 million to fund the first year of the program.
- A new appropriation of \$400,000 to provide 4.0 FTE positions to develop a statewide data warehouse to be used by teachers, parents, administrators, Area Education Agency staff, Department staff, and policymakers. The Governor is also recommending a \$600,000 appropriation from the Technology Reinvestment Fund for hardware and software.
- An increase of \$70.0 million for the Student Achievement and Teacher Quality Program to enhance teacher salaries. House File 2792 (Additional Education Funding Act) appropriated \$35.0 million in FY 2008 to the Program to enhance teacher salaries.
- An increase of \$12.4 million for general aid to community colleges.
- An increase of \$200,000 for the State Library to replace a FY 2007 Rebuild Iowa Infrastructure Fund (RIIF) appropriation.
- An increase of \$274,000 for Iowa Public Television to develop multi-channel program content.
- An increase of \$100,000 for the Regional Telecommunications Councils (RTCs) to replace discontinued federal E-Rate funding.
- An increase of \$204,000 for Iowa Vocational Rehabilitation Services to match additional federal funds to be used to serve clients on three waiting lists.

Board of Regents



The Governor's recommendation for the Board of Regents is an increase of \$25.5 million. Significant changes include:

- An increase of \$25.0 million for the Universities' general budgets. It is anticipated the funds will be used for inflationary increases and salaries.
- An increase of \$200,000 for the University of Iowa to support the Larned A. Waterman Non-Profit Resource Center. This is a new budget item. The funds would be used for support of the Center and the Institute for Public Affairs. The support would include the salaries of two secretaries, two half-time graduate assistants, printing, and travel costs.
- An increase of \$160,000 for the Iowa School for the Deaf for inflation.
- An increase of \$90,000 to the Iowa Braille and Sight Saving School for inflation.

FY 2007 Supplemental

The Governor is recommending a \$2.5 million General Fund supplemental appropriation to the University of Iowa to establish a Center for Regenerative Medicine to focus on stem cell and other medical research. The Governor is recommending additional funding of \$10.0 million from the RIIF for FY 2008.

More Information

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STAFF CONTACT: Mary Shipman (Ext. 14617) Robin Madison (Ext. 15270)

GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR THE HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE

FY 2008 Recommendations



The Governor is recommending a total of \$1.265 billion from the General Fund for FY 2008 for agencies funded by the Health and Human Services Appropriations Subcommittee. This is an increase of \$102.6 million compared to estimated FY 2007.

The Governor is also recommending a total of \$225.2 million from Other Funds for FY 2008. This includes funding from the Senior Living Trust Fund (SLTF), the Healthy Iowans Tobacco Trust (HITT), the Gambling Treatment Fund (GTF), the IowaCare Account, and the Health Care Transformation Account (HCTA).

Elder Affairs

The Governor's recommendation for the Department of Elder Affairs is an increase of \$320,000 from the General Fund and 4.0 FTE positions for additional ombudsmen.

Public Health

The Governor's recommendation for the Department of Public Health (DPH) is a net decrease of \$760,000 from the General Fund. The changes include:

- Addictive Disorders – An increase of \$2.8 million for tobacco use prevention and treatment.
- Chronic Conditions – An increase of \$600,000 for cervical or colon cancer screening.
- Community Capacity – An increase of \$1.1 million for the Iowa Collaborative Safety Net Provider Network. In previous years, these funds were transferred from the Medicaid appropriation to the DPH.
- Infectious Diseases – An increase of \$289,000 for 2.0 FTE positions for a Deputy Epidemiologist and a Bureau Chief for the Center for Acute Disease Epidemiology (CADE).
- Public Protection – A net decrease of \$5.7 million as follows:
 - A decrease of \$5.9 million due to the retention of fees by the public health boards.
 - An increase of \$188,000 for management of the anti-viral stockpile.
 - An increase of \$23,810 and 6.0 FTE positions for the State Medical Examiner's Office.
- Resource Management – An increase of \$150,000 and 2.0 FTE positions for administrative expenses for tobacco-related programs.



Human Services

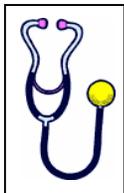
The Governor's recommendation for the Department of Human Services (DHS) is a net increase of \$102.8 million from the General Fund. The change includes:

FIP

Family Investment Program (FIP) – A decrease of \$500,000 resulting from elimination of the Electronic Benefits Transfer (EBT) retailer fee.

Medicaid

Medical Assistance (Medicaid) Program – An increase of \$60.8 million. The significant changes include:



- An increase of \$8.0 million to adjust the FY 2008 base for the FY 2007 supplemental appropriation.
- A decrease of \$6.0 million to reflect savings required in the new Iowa Medicaid Enterprise contracts.
- An increase of \$6.8 million to fund increased premiums for Medicare Buy-in.
- An increase of \$10.6 million to fund increased costs associated with the new Remedial Services Program.
- An increase of \$1.3 million to fund cost increases in the Children's Mental Health Waiver.
- An increase of \$301,000 to fund increased costs associated with the new Habilitation Services Program.
- An increase of \$1.4 million to fund enrollment increases in the Medicaid for Independent Young Adults (MIYA) Program that covers kids up to age 21 who age out of foster care.
- An increase of \$11.4 million for changes in the Federal Medical Assistance Participation (FMAP) rate for FY 2007.
- A decrease of \$489,000 related to reducing the frequency of Medicaid ID card mailings.
- An increase of \$9.3 million to reduce the income disregard for eligibility determination for parents of children on Medicaid.
- An increase of \$1.0 million to buy down waiver waiting lists.
- An increase of \$4.4 million to increase enrollment of children currently eligible for Medicaid, but not enrolled.
- A decrease of \$1.1 million for the Iowa Collaborative Safety Net Provider Network. In previous years, these funds were transferred from the Medicaid appropriation to the DPH. The Governor is recommending the funds be appropriated directly to the DPH in FY 2008.
- The deferment of \$1.8 million in estimated needed Medicaid funding to the 2008 Legislative Session.

**Children's Health Ins.**

State Children's Health Insurance Program – An increase of \$3.5 million to fund coverage for an additional 1,750 children who are already eligible, but not enrolled in the Program.

Child Care

Child Care Assistance – An increase of \$18.6 million, including:

- An increase of \$10.5 million to maintain caseload previously funded with federal carryforward funds.
- An increase of \$3.7 million for projected caseload growth.
- An increase of \$2.9 million to annualize FY 2007 provider rate increases.
- An increase of \$1.5 million for additional providers and provider training under the Quality Rating System.

Juvenile Facilities

Juvenile Facilities – An increase of \$160,000 for operational inflation, and medication, administration, and management.

Child and Family Serv.



Child and Family Services – A net increase of \$3.4 million, including:

- An increase of \$1.0 million to replace carryforward funds used in FY 2007.
- An increase of \$300,000 for Group Care.
- An increase of \$585,000 for changes in the FMAP rate.
- An increase of \$674,000 for foster care rates.
- A decrease of \$1.2 million to transfer State matching funds for the Children's Mental Health Waiver to Medicaid.
- An increase of \$2.1 million for caseload growth in the Preparation for Adult Living Services (PALS) Program.
- An increase of \$61,000 for independent living rates.

Adoption Subsidy

Adoption Subsidy – An increase of \$527,000, including:

- An increase of \$297,000 for changes in the FMAP rate.
- An increase of \$230,000 to maintain adoption subsidy rates at the level required by the Code of Iowa.

MHIS

Mental Health Institutes (MHIs) – An increase of \$847,000, including:

- An increase of \$439,000 for inflationary costs.
- An increase of \$297,000 for standards required by the federal Centers for Medicare and Medicaid Services (CMS).
- An increase of \$111,000 for the annualization of the FY 2007 additional beds at Mt. Pleasant.

Glenwood



Glenwood State Resource Center – A net increase of \$567,000, including:

- An increase of \$500,000 to continue the FY 2007 carryforward.
- An increase of \$522,000 for changes in the FMAP rate, inflation, and increased per diems for those without a county of legal settlement.
- A decrease of \$1.0 million due to additional federal revenues from State salary funds.

- An increase of \$545,000 for the impact of home and community-based (HCBS) waiver placements.

Woodward

Woodward State Resource Center – A net increase of \$227,000, including:

- An increase of \$657,000 for changes in the FMAP rate, inflation, and increased per diems for those without a county of legal settlement.
- A decrease of \$948,000 due to additional federal revenues from State salary funds.
- An increase of \$518,000 for the impact of the HCBS waiver placements.

State Cases



State Cases Program – An increase of \$781,000 for continuation of the FY 2006 carryforward funds and a general inflationary increase of 3.0%.

Sexual Predator Commitment Program – An increase of \$875,000, including:

- An increase of \$159,000 for inflation, the annualized cost of clients committed in FY 2007, and overtime travel for transport of medical care needs.
- An increase of \$664,000 for the cost of additional clients in FY 2008.
- An increase of \$52,000 for a pre-release Transitional Program.

Allowed Growth

Mental Health Allowed Growth – An increase of \$7.6 million to include the enacted \$4.3 million FY 2008 appropriation increase provided in HF 2797 (FY 2007 Standing Appropriations Act) and the \$3.1 million added to the original FY 2007 Mental Health Allowed Growth appropriation and the \$300,000 formula impact from that addition.

Field Operations

DHS Field Operations – An increase of \$4.4 million for additional child care subsidy, Family Investment Program (FIP), Temporary Assistance for Needy Families (TANF), Medicaid, *hawk-i* Program, and protective assessments staff.

General Administration

General Administration – An increase of \$452,000 for additional costs of Medicaid card distribution, staff for the Mental Health Planning Council, and the utilization of County Point Coordinators (CPC) Level of Care.

Veterans Affairs

The Governor's recommendation for Veterans Affairs is a net increase of \$281,000 for Department office staff, Veterans Cemetery staff, and support costs.

FY 07 Supplementals



The Governor is also recommending the following FY 2007 supplemental appropriations for departments within the Health and Human Services Appropriations Subcommittee:

- A supplemental appropriation of \$8.0 million for Medicaid.
- A supplemental appropriation of \$1.5 million for the Veterans Home Ownership Program.
- A supplemental appropriation of \$2.0 million for the Injured Veterans Grant Program.

More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the LSA web site at:
<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>.

STAFF CONTACT: Lisa Burk (Ext. 17942) Kerri Johannsen (Ext. 14611)
Sue Lerdal (Ext. 17794)

**GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR
THE JUSTICE SYSTEM APPROPRIATIONS
SUBCOMMITTEE**

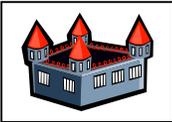
FY 2008 Recommendations

The Governor is recommending a total of \$629.8 million from the General Fund for agencies funded by the Justice System Appropriations Subcommittee. This is an increase of \$41.6 million compared to estimated FY 2007.

Department of Justice

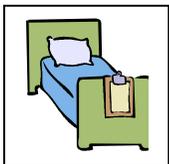
The Governor's recommendation for the Department of Justice is an increase of \$50,000 to establish a Charities Unit to enforce laws regulating activities of non-profit organizations.

Department of Corrections



The Governor's recommendation for the Department of Corrections (DOC) is an increase of \$24.5 million. Significant changes include:

- An increase of \$632,000 to reimburse the Department of Administrative Services.
- An increase of \$1.9 million for food, fuel, and pharmacy costs.
- An increase of \$1.8 million and 16.0 FTE positions for mandated supervision and treatment of sex offenders.
- An increase of \$17.7 million to fully fund operating costs of the 178-bed Special Needs Unit at the Iowa Medical Classification Center.
- An increase of \$611,000 in Central Office for planning a Therapeutic Community Initiative, replacing expired federal funds, adding a Security Director, and fully funding salaries.
- An increase of \$478,000 for the lease-purchase payment of the electrical system upgrade at the Iowa State Penitentiary at Fort Madison and increased costs of sewer charges at the Anamosa State Penitentiary.
- An increase of \$111,000 to replace expired federal funds for a Drug Court in Waterloo.
- An increase of \$900,000 to reduce salary shortages in the prison system.
- An increase of \$400,000 to reimburse counties for holding alleged parole, work release, and Operating While Intoxicated (OWI) offenders.



State Public Defender

The Governor's recommendation for the Department of Inspections and Appeals is an increase of \$4.1 million. Significant changes include:

- An increase of \$475,000 to fund authorized positions in the Office of the State Public Defender.
- An increase of \$3.6 million to fund the Indigent Defense Program at the estimated level of expenditures.

Dept. of Public Defense

The Governor's recommendation for the Department of Public Defense is an increase of \$675,000. Of the increase, \$600,000 is to replace the loss of a federal grant with the National Incident Management System (NIMS). The recommended increase moves 2.5 FTE positions from federally-funded to State-funded.

Dept. of Public Safety

The Governor's recommendation for the Department of Public Safety is an increase of \$3.8 million. Significant changes include:

- Administration – An increase of \$291,000 to reimburse the Department of Administrative Services (DAS) for services.
- Division of Criminal Investigation (DCI) – An increase of \$1.5 million and 16.0 FTE positions. Significant changes include:
 - An increase of \$636,000 and 10.0 FTE positions to support enforcement activities at gaming facilities, which will be offset with receipts.
 - An increase of \$485,000 for increased overtime and equipment costs.
 - An increase of \$388,000 and 3.0 FTE positions to continue and expand the Internet Crimes against Children Unit.
- Division of Narcotics Enforcement – An increase of \$413,000 and 3.0 FTE positions, which includes \$131,000 for increased overtime expenditures and a transfer of \$66,000 and 1.0 FTE position for administration of the Uniform Crime Report.
- Fire Marshal's Office – An increase of \$390,000 and 3.0 FTE positions to implement building code requirements passed in HF 2797 (FY 2007 Standing Appropriations Act). The costs will be offset by fee revenue deposited directly into the General Fund.
- Iowa State Patrol – An increase of \$2.0 million, including \$1.8 million for fuel and uniform expenses.

Judicial Branch

The Judicial Branch has a separate appropriations bill. Pursuant to statute, the Governor passes through the Judicial Branch's funding request without recommendation, which is a net increase of \$8.4 million for FY 2008. Significant changes include:

- An increase of \$737,000 and 11.5 FTE positions for children's justice initiatives.
- An increase of \$1.1 million and 17.0 FTE positions for district court judicial support.
- An increase of \$702,000 and 4.0 FTE positions for information and document management.
- An increase of \$865,000 for sound and recording equipment.
- An increase of \$250,000 for judicial education and training.
- An increase of \$150,000 for public outreach.
- An increase of \$4.7 million to fund the State's share of the retirement system.

FY 2007 Supplementals

The Governor is recommending FY 2007 supplemental appropriations of \$6.0 million for the Department of Corrections (DOC) and the Department of Public Safety.

This includes \$5.3 million for the DOC as follows:

- \$300,000 to fully fund salaries in Central Office and hire a Security Director.
- \$400,000 to reimburse counties for holding alleged parole violators.
- \$1.2 million for pharmacy and utility cost increases in the prison system.
- \$3.4 million to staff the 178-bed Special Needs Unit at Oakdale.



This includes \$717,000 for the Department of Public Safety as follows:

- \$467,000 for coverage of the Burlington gaming facility and supplies for the DNA database.
- \$150,000 for overtime expenses due to the additional security detail for the Governor.
- \$100,000 for the Building Code Bureau due to increased scope of reviews.

More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the LSA web site at: <http://www.legis.state.ia.us/Publications.html>

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)

GOVERNOR'S FY 2008 BUDGET RECOMMENDATIONS FOR THE DEPARTMENT OF TRANSPORTATION

FY 2008 Recommendations



The Governor is recommending a total of \$316.5 million from the Road Use Tax Fund and the Primary Road Fund for Operations, Special Purpose, and Capital appropriations for the Department of Transportation (DOT) for FY 2008. This is an increase of \$1.6 million compared to estimated FY 2007, which includes an increase of \$1.9 million for Operations and Special Purpose projects and a decrease of \$300,000 for Capital projects.

Operations

The Governor is recommending an increase of \$3.9 million. This includes an increase of \$569,000 from the Road Use Tax Fund and an increase of \$3.3 million from the Primary Road Fund. The recommendation includes:



- An increase of \$4.3 million to transfer 39.0 FTE positions and the General Council from the Administrative Services and Planning budget units.
- An increase of \$225,000 for additional maintenance and expanded capacity of the existing Electronic Records Management System (ERMS).
- An increase of \$215,000 for operating expenses for the new Motor Vehicle Center in Ankeny and the Des Moines satellite site.
- A decrease of \$640,000 for elimination of the Park Fair Mall lease.
- A decrease of \$85,000 to transfer 2.0 FTE positions to the Highways budget unit.

- A decrease of \$120,000 to eliminate 1.0 FTE position due to reorganization.

Administrative Services

The Governor is recommending a decrease of \$3.9 million to transfer all 35.0 FTE positions to the Operations budget unit. The Administrative Services budget unit is being eliminated due to reorganization. The total decrease includes a decrease of \$548,000 from the Road Use Tax Fund and a decrease of \$3.4 million from the Primary Road Fund.

Planning

The Governor is recommending a decrease of \$321,000 to transfer 4.0 FTE positions to the Operations budget unit. This is a decrease of \$15,000 from the Road Use Tax Fund and a decrease of \$306,000 from the Primary Road Fund.

Motor Vehicles

The Governor is recommending an increase of \$132,000 for an increase in fuel costs. This includes a decrease of \$9,000 from the Primary Road Fund and an increase of \$141,000 from the Road Use Tax Fund.

Highways

The Governor is recommending an increase of \$3.1 million from the Primary Road Fund, including:

- An increase of \$85,000 to transfer 2.0 FTE positions from the Operations budget unit.
- An increase of \$261,000 for support of additional lane miles.
- An increase of \$2.3 million for fuel costs.
- An increase of \$445,000 for salt costs.



Special Purpose Projects

The Governor is recommending a decrease of \$868,000 for Special Purpose projects. This includes a decrease of \$513,000 from the Road Use Tax Fund and a decrease of \$355,000 from the Primary Road Fund.

Recommendations include:

- Workers' Compensation – A decrease of \$437,000 for a reduction in workers' compensation costs. This includes a decrease of \$17,000 from the Road Use Tax Fund and a decrease of \$420,000 from the Primary Road Fund.
- State Auditor – An increase of \$34,000 for a projected increase in audit costs. This includes an increase of \$4,400 from the Road Use Tax Fund and an increase of \$30,000 from the Primary Road Fund. The Governor's recommendation is an increase of \$14,000 compared to the FY 2008 Department request.
- County Treasurer Support – A decrease of \$232,000 for costs associated with county treasurer support when issuing driver's licenses and vehicle registrations and titles.
- Driver's License Equipment Lease – An increase of \$227,000 for lease costs.

Capital Projects



The Governor is recommending a total of \$3.3 million for Capital projects. This includes \$2.9 million from the Primary Road Fund and \$400,000 from the Road Use Tax Fund. Recommendations include:

- \$2.3 million for costs associated with constructing a new garage in Clarinda.
- \$100,000 for garage roofing projects at various locations throughout the State.

- \$100,000 for scale maintenance projects at various locations throughout the State.
- \$400,000 for continued utility improvements at various locations throughout the State.
- \$100,000 for heating, cooling, and exhaust system improvements at various locations throughout the State.
- \$200,000 for Americans with Disabilities Act (ADA) improvements at various locations across the State.
- \$100,000 for an elevator upgrade at the DOT Complex in Ames.

More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the LSA web site at:

<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

GOVERNOR'S FY 2008 RECOMMENDATIONS FOR INFRASTRUCTURE AND TECHNOLOGY PROJECTS

FY 2008 Recommendations

The Governor is recommending a total of \$262.7 million for infrastructure and technology projects. The following table provides the total recommendations by funding source.



FY 2008 Governor's Recommendations
(Dollars in Millions)

Rebuild Iowa Infrastructure Fund	\$ 191.4
Vertical Infrastructure Fund	50.0
Endowment for Iowa's Health Restricted Capitals Fund	1.4
Technology Reinvestment Fund	17.3
State Aviation Fund	1.6
General Fund	1.0
Total	<u>\$ 262.7</u>

Administrative Services

The Governor is recommending a total of \$106.0 million to the Department of Administrative Services. Significant changes include:

- \$40.0 million for major maintenance of State facilities.
- \$16.1 million for the second year of funding for the new State office building.
- \$7.0 million to complete the power house project in Toledo.
- \$6.3 million for interior restoration of the State Capitol Building.
- \$5.3 million for planning, design, and repairs to all of the pedestrian and utility tunnels on the Capitol Complex.
- \$5.0 million for statewide routine maintenance.
- \$4.3 million for continued funding of the electrical distribution system upgrade for the Capitol Complex.



- \$4.0 million for asbestos abatement and related building renovation work for the Iowa Workforce Development Building.
- \$3.8 million for technology projects funded through the Pooled Technology Fund.
- \$3.1 million for construction of a new school/infirmary building at the Iowa Juvenile Home at Toledo, including renovation of an existing school building, and for the demolition of an old infirmary building and Wilson Cottage.

Corrections

The Governor is recommending a total of \$11.3 million for the Department of Corrections for projects, including:

- \$2.5 million for the third year of funding for the construction of a new residential treatment facility in Fort Dodge.
- \$2.0 million to replace the boilers at the Anamosa State Penitentiary.
- \$2.0 million to begin upgrading the security at all correctional institutions based on the findings from the Department's security audit.
- \$1.5 million for replacement of the hot water main and electrical distribution upgrades at the Newton Correctional Facility.
- \$1.4 million to complete the funding for the renovation of the Anamosa dietary facility.
- \$1.0 million for the second year of funding for the construction of a 20-bed addition at the Cedar Rapids residential facility for mental health treatment of offenders.

Cultural Affairs



The Governor is recommending a total of \$4.0 million for the Department of Cultural Affairs, including:

- \$3.0 million for continued funding of the Iowa Great Places Initiative.
- \$1.0 million for the Historical Preservation Grant Program (\$800,000) and for the stabilization of the Iowa Battle Flag Collection (\$220,000).

Economic Development

The Governor is recommending a total of \$15.5 million for the Department of Economic Development, including:

- \$10.5 million to provide funding for a new economic development initiative involving the Bioscience Alliance of Iowa, the Iowa Advanced Manufacturing Council, the Iowa Information Technologies Council, and the Small Business Advisory Council.
- \$5.0 million for continued funding of the Community Attraction and Tourism Program. These funds were previously appropriated in SF 2298 (FY 2006 Omnibus Appropriations Act).

Finance Authority

The Governor is recommending \$4.0 million for the Iowa Finance Authority to fund a portion of his Water Quality Initiative. The funds will be used to provide grants to small communities to upgrade water treatment facilities.

Education

The Governor is recommending a total of \$9.1 million for the Department of Education. Significant changes include:



- \$2.7 million for the cost of leases and maintenance associated with operating Part III sites on the Iowa Communications Network (ICN).
- \$2.0 million for infrastructure improvements at Community Colleges.
- \$1.3 million for the upgrade and replacement of mechanical equipment at the Iowa Public Television Headquarters.
- \$1.0 million for the Enrich Iowa Program.
- \$1.0 million for the purchase of a mobile television production unit to facilitate Iowa Public Television's live programming.

Human Rights

The Governor is recommending \$2.9 million for the purchase of hardware and software associated with the Criminal Justice Information System to improve the electronic exchange of information between law enforcement agencies.

Tele. & Tech. Comm.

The Governor is recommending \$2.1 million to replace and upgrade equipment for the ICN.

Workforce Development

The Governor is recommending \$1.1 million for technology initiative and enhancements for the Department of Workforce Development.

Natural Resources

The Governor is recommending a total of \$9.6 million for the Department of Natural Resources, including:

- \$8.6 million for implementation of lake restoration projects to improve water quality and enhance the recreational use of Iowa lakes.
- \$1.0 million for infrastructure-related improvements to Iowa's State parks.

Public Defense



The Governor is recommending a total of \$9.1 million for the Department of Public Defense, including:

- \$2.0 million for the second year of funding for the STARCOMM project.
- \$1.5 million to construct an addition to the National Guard Aviation Readiness Center in Waterloo.
- \$1.5 million for maintenance and renovation projects at National Guard facilities.
- \$1.2 million to complete the State funding for construction of the Iowa City Readiness Center.
- \$1.0 million for renovation of the Ottumwa Readiness Center.

Public Safety



The Governor is recommending a total of \$4.9 million for the Department of Public Safety, including:

- \$2.4 million for construction of a new patrol post to replace the existing facility located near Mason City.
- \$1.9 million for technology projects and improvements within the Department, which include \$1.5 million for the purchase of computers for State Patrol vehicles and \$400,000 for an information system for the State Crime Lab.

Regents

The Governor is recommending a total of \$57.9 million for the Board of Regents, including:

- \$15.7 million for the second year of funding for construction of a new State Hygienic Laboratory at the University of Iowa.
- \$10.3 million to fund a portion of the Regents tuition replacement appropriation.
- \$10.0 million for major repairs and improvements to Board of Regents facilities.
- \$10.0 million to provide funding for the Iowa Center for Regenerative Medicine Center at the University of Iowa to benefit stem cell research. The Governor is also recommending a \$2.5 million supplemental appropriation for FY 2007 from the General Fund for the Center.
- \$9.1 million to fund a portion of the construction cost of a College of Public Health Academic Building at the University of Iowa.
- \$2.2 million to fund a portion of the construction cost of a new Chemistry Building at Iowa State University.

State Fair Authority

The Governor is recommending \$3.0 million for the construction of a new Chemistry Building at Iowa State University.

Transportation

The Governor is recommending a total of \$10.1 million for the Department of Transportation for projects, including:

- \$2.2 million for the Public Transit Infrastructure Grant Fund.
- \$2.0 million for the Railroad Revolving Loan and Grant Fund.
- \$2.0 million for the Recreational Trails Program.
- \$1.5 million for infrastructure improvements at commercial and general aviation airports.
- \$1.6 million for the Aviation Improvement Program from the State Aviation Fund.

Treasurer

The Governor is recommending \$1.1 million for infrastructure improvements at county fairs.

FY 2007 Changes

The Governor is recommending five supplemental appropriations and two deappropriations from the Restricted Capital Fund of the Tobacco Settlement Trust Fund. The appropriation adjustments to the Fund are necessary to insure that the State is in compliance with Internal Revenue Code provisions requiring the proceeds be expended by October of 2007. The FY 2007 recommendations are summarized on the following table.



**Recommended Changes to FY 2007
 Infrastructure Appropriations
 Restricted Capitals Fund - Tax Exempt Bonds**
 (Dollars in Millions)

	<u>Gov. Rec. FY 2007</u>
Department of Public Safety	
<u>Deappropriation</u>	
Mason City Patrol Post	\$ -2.4
<u>Supplemental Appropriations</u>	
Property Acquisition	\$ 1.2
Dispatch Center Consoles	1.0
Furniture for New Building	<u>0.2</u>
Total Supplemental	<u>\$ 2.4</u>
Department of Administrative Services	
<u>Deappropriation</u>	
Enterprise Resource Planning (I-3)	\$ -1.5
<u>Supplemental Appropriations</u>	
Terrace Hill Roof Repair	\$ 0.7
Electrical Distribution Upgrade	<u>0.8</u>
Total Supplemental	<u>\$ 1.5</u>

More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the LSA web site at:
<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>.

STAFF CONTACT: David Reynolds (Ext. 16934)

**GOVERNOR'S FY 2009 SCHOOL FOUNDATION
 ALLOWABLE GROWTH RATE RECOMMENDATION**

FY 2008 Recommendation



The Governor is recommending a 4.0% allowable growth rate for FY 2009, the same rate as the past three years. For FY 2008, the Governor is recommending an additional reduction of \$6.0 million for the Area Education Agencies (AEAs), which can be compared to the \$8.0 million additional AEA reduction in FY 2007.

The following table shows the breakdown of funding sources for FY 2007 through FY 2009, the budget components of the total School Foundation Formula budget (or combined district cost), and the budget enrollments.

School Foundation Funding Sources: FY 2007 to FY 2009

	FY 2007	FY 2008	FY 2009	FY 2008 vs FY 2007	FY 2009 vs FY 2008
State Foundation Aid	\$ 2,048.3	\$ 2,143.0	\$ 2,256.7	\$ 94.6	\$ 113.8
Property Tax	1,090.4	1,116.7	1,145.5	26.4	28.8
Total Foundation Budget	<u>\$ 3,138.7</u>	<u>\$ 3,260.1</u>	<u>\$ 3,402.7</u>	<u>\$ 121.4</u>	<u>\$ 142.6</u>

School District Budget Components: FY 2007 to FY 2009

	FY 2007	FY 2008	FY 2009	FY 2008 vs FY 2007	FY 2009 vs FY 2008
Regular Program District Cost	\$ 2,489.1	\$ 2,585.2	\$ 2,681.2	\$ 96.1	\$ 96.0
Total Supplemental Weighting Cost	40.6	41.5	46.3	0.9	4.7
District Special Education Cost	360.9	375.9	398.7	15.0	22.8
AEA Special Education Cost	125.4	130.2	135.4	4.8	5.2
AEA Media & Education Services District Cost	45.9	47.6	49.4	1.7	1.8
Budget Guarantee, Dropout Program & Other Adjustments	<u>76.8</u>	<u>79.6</u>	<u>91.7</u>	<u>2.8</u>	<u>12.1</u>
Total District Foundation Budget	<u>\$ 3,138.7</u>	<u>\$ 3,260.1</u>	<u>\$ 3,402.7</u>	<u>\$ 121.4</u>	<u>\$ 142.6</u>
Budget Enrollment	483,104.8	482,583.9	481,375.0	-520.9	-1,208.9



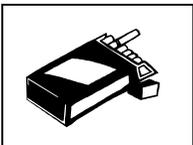
More Information

Additional information is available from the LSA upon request. *The Analysis of the Governor's FY 2008 Budget Recommendations* is available on the LSA web site at:
<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Shawn Snyder (Ext. 17799)

GOVERNOR'S RECOMMENDED TAX AND REVENUE ADJUSTMENTS

Cigarette Tax



The Governor is recommending an increase in the cigarette tax rate of \$1.00 per pack (new rate of \$1.36 per pack), and an increase in the tobacco tax rate from the current rate of 22 percent to 88 percent. Under the Governor's recommendations, these increases will be effective April 1, 2007. The Governor projects that these tax increases will increase General Fund revenue by \$32.0 million in FY 2007 and \$138.4 million in FY 2008.

Other Revenue Rec.

In addition to the cigarette and tobacco tax increases, the Governor is also making the following recommendations for FY 2008:

- Combined Corporate Income Tax Reporting – \$25.0 million. The Governor is recommending requiring closely-related corporations to file combined Iowa

corporate tax returns. Under current Iowa law and practice, corporations are generally allowed to file tax returns for each separate entity or subsidiary. This method reduces the overall tax liability of the closely-related corporation.

- Tax Amnesty – \$16.0 million. The Governor is recommending a tax amnesty program to allow taxpayers to pay back-taxes with reduced penalty and interest payments. A Department of Revenue report released in 1987 covering Iowa's most recent tax amnesty program is available on the LSA web site at: http://staffweb.legis.state.ia.us/lfb/docs/ways_means/ways_means.htm.
- Increased Earned Income Tax Credit – \$ - 4.3 million. The Governor is recommending increasing Iowa's Earned Income Tax Credit from the present 6.5% of the federal credit amount to 10.0%.
- Alternative Fuel Vehicle Tax Credit – \$ - 2.0 million. The Governor is recommending creating a State alternative fuel vehicle tax credit equal to 20.0% of the credit allowed for federal tax purposes.
- Department of Revenue Auditors – \$4.6 million. The Governor is recommending an appropriation of \$1.3 million to hire additional enforcement officers and staff and to update compliance information systems. With the additional staff, it is estimated the Department will collect an additional \$4.6 million that will otherwise not be collected.
- Additional DCI Riverboat Agents – \$600,000. The Governor is recommending additional funding to support growth in the gaming industry by adding 2.0 FTE positions for Special Agents and 5.0 FTE positions for Gaming Enforcement Officers to support the new facility at Burlington and 1.0 FTE for a Gaming Enforcement Officer for Worth County, which will be offset with receipts to the General Fund. The recommendation also includes \$200,000 in additional revenue for FY 2007 for partial year funding for the facility at Burlington.
- Additional Fire Marshal Inspection Fees – \$400,000. The Governor is recommending to provide the Fire Marshal's Office, Building Code Bureau, with the resources and staff to fulfill the requirements in HF 2797 (FY 2007 Standing Appropriations Act) regarding the plan review and inspection of various public buildings. The costs will be offset by fee revenue deposited directly into the General Fund. The recommendation also includes \$100,000 in additional revenue for FY 2007 for 2.0 FTE positions for Construction Design Engineers.
- Additional Department of Commerce Fees – \$100,000. The Governor is recommending an increase of 2.0 FTE positions. The positions are a Trust Account Auditor and a Compliance Officer in the Professional Licensing Bureau. Increased fees to be generated by the Bureau in FY 2008 will offset the costs.
- Additional Restaurant Inspection Fees – \$400,000. The Governor is recommending an appropriation to the Department of Inspections and Appeals to conduct food inspections in Polk and Jasper Counties. The fees are currently being deposited into the General Fund and are not passed on to the Department to complete inspections.



More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Shawn Snyder (Ext. 17799) Jeff Robinson (Ext. 14614)

MEDICAID FORECAST FOR FY 2007 AND FY 2008

Medicaid Forecast

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on



January 26 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2007 and FY 2008. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current and upcoming fiscal years.

FY 2007

House File 2734 (FY 2007 Health and Human Services Appropriations Act) included total State funding of \$759.2 million. For FY 2007, the three staffs agreed to an estimated supplemental need of \$20.0 million to a surplus of \$2.0 million, with a midpoint of a \$9.0 million in supplemental need. The total State funding for Medicaid in FY 2007 is an estimated increase of between \$14.5 and \$35.5 million compared to estimated FY 2006. This includes the following costs and assumptions:

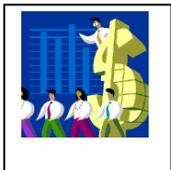
- An estimated \$1.3 million to fund an estimated 0.2% in enrollment growth.
- An estimated \$5.1 million to fund an estimated 0.7% increase for medical inflation.
- \$4.8 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$12.2 million to fund additional costs due to the Federal Medical Assistance Percentage (FMAP) rate decreasing from 63.61% to 61.98%.
- \$12.7 million to fund a 3.0% provider rate increase.
- \$1.4 million to fund an increase in the personal needs allowance from \$30 to \$50 per month for residents of nursing facilities.
- \$1.0 million to fund Medicaid for children aging out of the foster care system up to age 21.
- \$250,000 to fund a matching grant for the Iowa Health Care Collaborative.
- \$15.7 million in various savings related to the Iowa Medicaid Enterprise, the Medicaid Family Planning Waiver, and the federal Deficit Reduction Act of 2005.
- \$3.9 million to increase nursing facility rates to the FY 2007 cap.
- \$3.3 million to fund increased costs associated with the change from the Adult Rehabilitation Option (ARO) and Rehabilitative Treatment Services (RTS) to the Remedial Services Program (RSP) and the new Habilitation Services Program.



FY 2008

For FY 2008, the three staffs agreed to a range of \$29.0 to \$70.0 million, with a midpoint of \$49.5 million over the original FY 2007 appropriation. This includes the following costs and assumptions:

- \$9.0 million to adjust FY 2008 for the FY 2007 supplemental need.
- \$14.0 million for a 1.6% enrollment increase.
- \$7.7 million for 1.0% medical inflation.
- \$11.4 million to fund additional costs due to the FMAP rate decreasing from 61.98% to a projected 61.79%.
- \$10.6 million to complete the transition to the RSP.
- \$500,000 to replace funds carried forward for Field Operations in FY 2007.



- \$1.3 million to fund increased enrollment in the Medicaid for Independent Young Adults (MIYA) Program.
- \$1.1 million to fund the new Habilitation Services Program.
- \$10.4 million to rebase nursing facilities.
- \$6.8 million for increased Medicaid buy-in premiums.
- \$6.0 million in savings related to the Iowa Medicaid Enterprise.
- \$1.0 million for federally-required Payment Rate Error Measurement (PERM) audits.

Citizenship Requirement

The Federal Deficit Reduction Act (DRA) of 2005 required verification of citizenship during the Medicaid eligibility screening process. The DHS is coordinating with the Department of Public Health to assist Medicaid applicants with obtaining the required documents. The DHS is also assuming any expense associated with an applicant obtaining a birth certificate.



Medicaid enrollment decreased during the first three months of FY 2007 and experienced an increase in October, followed by an off-setting decrease in November. Enrollment was up slightly in December. The volatility of enrollment thus far makes forecasting for the remainder of the fiscal year difficult.

Average enrollment grew 6.4% during FY 2004, 5.8% during FY 2005, and 3.4% during FY 2006. According to LSA estimates, average enrollment during FY 2007 is projected to grow by 0.2%. It is believed that the leveling off of enrollment in FY 2007 can be attributed largely to the citizenship requirement. More data is being gathered to better understand the requirement's effects on Iowa's Medicaid population.

Until November, no Medicaid clients had been dis-enrolled from the Program for failure to prove citizenship. December enrollment figures likely reflect the dis-enrollment of some clients who were up for review in July and were unable to document their citizenship status.

The effects of the citizenship requirement will likely continue throughout FY 2007 and up through October of FY 2008 since renewal dates for Medicaid clients are distributed throughout the year.

RTS Services



Beginning July 1 of this year, the DHS began de-linking Medicaid Rehabilitative Treatment Services (RTS) from the Child Welfare System. Changes to Adult Rehabilitative Option (ARO) services also began on July 1. Both changes are the result of the federal Centers for Medicare and Medicaid Services (CMS) requirements related to documentation and eligibility. Iowa was required to repay \$6.2 million related to non-compliance with federal ARO service requirements in FY 2006. Starting November 1, 2007, clients formerly served under RTS and ARO could be served through the Remedial Services Program (RSP). A Licensed Practitioner of the Healing Arts determines eligibility and services are provided by Medicaid-enrolled RSP providers. Providers can transition to the new RSP anytime before January 1, 2007. No new ARO or RTS services will be authorized after January 1. It is important to note that the State will be vulnerable to re-payment of federal

funds resulting from any audits conducted by the federal government of the period of transition to RSP.

New service definitions will likely result in increased costs to the State and counties, as some services formerly matched with federal funds will now be paid with 100.0% State or county funds. The increased State cost in Medicaid is estimated to be \$3.0 million for FY 2007 and is included in the estimated supplemental need.



The DHS has also applied for a new waiver-type service offered in the DRA that has the potential to offset increased county costs by offering services formerly provided under the ARO that cannot be provided under the RSP. This new service has an estimated increased cost to the State of \$301,000 in FY 2007. The estimated FY 2007 increased cost to the counties compared to the former ARO services is \$1.2 million. In FY 2008, the State cost is estimated to be \$1.4 million and the county cost at \$5.5 million.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Administration and Regulation Appropriations Subcommittee met the week of January 29.

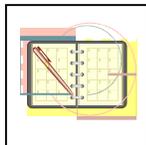
January 31

On January 31, State Auditor David Vaudt presented an overview of the activities of the Auditor's Office and budget requests for FY 2008. In addition, Director Charles Smithson, Ethics and Campaign Disclosure Board, presented an overview of the activities of the Board and budget requests for FY 2008.

February 1

On February 1, Donna Mueller, CEO, Iowa Public Employees' Retirement System (IPERS), presented an overview of the activities of IPERS and budget requests for FY 2008.

Tentative Schedule



The tentative schedule for the week of February 5 includes:

- Tuesday, February 6 – Presentation by the Department of Inspections and Appeals.
- Wednesday, February 7 – Presentation by the Department of Administrative Services.
- Thursday, February 8 – Presentation by the Department of Commerce.

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=32>.

STAFF CONTACT: Jess Benson (Ext. 14613) Douglas Wulf (Ext. 13250)
Sam Leto (Ext. 16764)

**AGRICULTURE AND NATURAL RESOURCES
APPROPRIATIONS SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met the week of January 29.

January 31

Bill Northey, Secretary of Agriculture, discussed the goals and priorities of the Department of Agriculture and Land Stewardship.

Deb Kozel, LSA, discussed the Governor's recommendations for the budget for FY 2008.

February 1

Director Rick Leopold, Department of Natural Resources (DNR), discussed the goals and priorities of the DNR, which included:

- Livestock monitoring and providing technical assistance to animal producers.
- Additional funding for State Park maintenance and educational programs.
- Overview of the Iowa's Special Areas Program that included the purchase of land at Sprit Lake.
- Additional funding for air monitoring at animal confinement facilities.
- Updating the State Water Plan.
- Overview of Light Detection and Ranging (LiDAR) technology that scans the earth with lasers from an aircraft to obtain elevation information.



More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=33>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

**ECONOMIC DEVELOPMENT APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Economic Development Appropriations Joint Subcommittee met the week of January 29.

January 31

On January 31, an overview of the operation, function, and Governor's FY 2008 budget recommendation for the Public Employment Relations Board (PERB) was provided by Jim Riordan, Board Chairperson.



An overview of the operation, function, and Governor's FY 2008 budget recommendation for the Iowa Finance Authority was also provided by Director Bret Mills, James Smith, Mickey Carlson, Carla Pope, and Lori Beary.

February 1

On February 1, a presentation, "Educating United States Citizens on How to be Better Ambassadors on Behalf of the United States," was provided by Harriet Fulbright, U.S. Center for Citizen Diplomacy.

An overview of the operation, function, and Governor's FY 2008 budget recommendation for the Board of Regents Economic Development activities at the University of Northern Iowa was provided by Director Randy Pilkington, Business and Community Services.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=34>.

STAFF CONTACT: Ron Robinson (Ext. 16256)

EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Education Appropriations Subcommittee met the week of January 29.

Department of Education

On January 31, the Subcommittee heard a review of the Department of Education's budget request. Director Judy Jeffrey highlighted the following new items in the Department's budget request:



- \$1.7 million for Special Education Services for Children Birth to Three-Years-of-Age. The Governor is recommending this funding.
- \$2.0 million for Project Lead the Way, a national effort to develop pre-engineering curriculum at the high school level. The Governor is not recommending this funding.
- \$350,000 for 21st Century International Competitiveness Skills for development of social studies curriculum. The Governor is not recommending this funding.
- \$400,000 for District Sharing and Efficiencies to help districts work toward sharing administrative services, reorganization, and collaboration. The Governor is recommending this funding.
- \$1.0 million for a Statewide Education Data Warehouse to co-locate and link multiple data systems. The Governor is recommending \$400,000 from the General Fund and \$600,000 from the Technology Reinvestment Fund.

Director Jeffrey also discussed the Department's request for 4.0 FTE positions and an increase of \$400,000 in the General Fund appropriation for Department Administration. She noted that only 34.0% of Department staff are State-funded. The funding would provide staff to work on the Community College Management Information System and to assist school districts with the model core curriculum and statewide graduation requirements.

State Library

On February 1, Mary Wegner, State Librarian, discussed the services provided by the State Library and reviewed the FY 2008 budget request. The Governor is recommending an increase of \$200,000 from the General Fund to replace an FY 2007 Rebuild Iowa Infrastructure Fund appropriation.

Library Service Areas

Roy Kenagy, representing the Library Service Areas (LSAs), discussed the services provided by the LSAs to local libraries and reviewed the FY 2008 budget request for an increase of \$209,000. The Governor is recommending flat funding for FY 2008.

Vocational Rehabilitation

Also, on February 1, Steve Wooderson, Administrator, and Matt Coulter, Iowa Vocational Rehabilitation Services (IVRS), presented information on the Division's federal funding and non-federal match requirements. The Governor is recommending an increase of \$204,000 from the General Fund in FY 2008, which Division projections show would draw down all available federal funding.

Tentative Schedule



The tentative schedule for the week of February 5 includes:

- Tuesday, February 6 – Budget presentation by the Iowa Association of Community College Presidents.
- Wednesday, February 7 – LSA Fiscal staff will review the Governor's FY 2008 budget recommendations.
- Thursday, February 8 – Budget presentations by the Department for the Blind and Iowa Public Television.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=35>.

STAFF CONTACT: Robin Madison (Ext. 15270) Mary Shipman (Ext. 14617)

**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Health and Human Services Appropriations Subcommittee met the week of January 29.

January 31



The Subcommittee received testimony on Division XI of the proposed Comprehensive Affordable Health Care for Families and Small Businesses Bill, which involves an increase in the tobacco tax. Comments were provided by Sandra Quilty, American Cancer Society; Lyn Peck, President, Just Eliminate Lies (JEL); Anthony Menendez, former President, JEL; McKenzie Lowry, youth advocate; Anthony Carroll, American Association of Retired Persons (AARP); and Leta Wall, AARP volunteer.

The Subcommittee also received testimony on Division IX of the Bill, which involves the Children's Healthy Development Initiative. Comments were provided by Dr. Al Healy, University of Iowa Hospitals and Clinics; Charles Bruner, Child and Family Policy Center; Chris Atchison, University of Iowa Hospitals and Clinics; Dr. Michael Artman, University of Iowa Hospitals and Clinics; and Jerry Gruba, Heartland Area Education Association.

February 1



The Subcommittee received testimony related to the tobacco tax increase, and Divisions X, VIII, and VI of the Bill, which involve uncompensated care deductions, safety net providers, assisted living property taxes, and mental health parity.

Comments were provided by George Weiner, Iowa Cancer Care Consortium; Karla McHenry, Iowa Medical Society; Ted Boesen, Iowa-Nebraska Primary Care Association; Mary Rose Corrigan, Dubuque Community Health Center; Steve Ackerson, Iowa Health Care Association; Lisa Uhlenkamp, Iowa Center for Assisted Living; Jack Holveck, mental health advocate; Gina

Shelley, mental health consumer advocate; Brock Wolff, Orchard Place; Art Schul, Iowa Substance Abuse Providers Association; and Paula Dierenfeld, Federation of Iowa Insurers.

Tentative Schedule



The tentative schedule for the week of February 5 includes:

- Tuesday, February 6 – Testimony from various health advocates related to Divisions II, III, and IV of the proposed Comprehensive Affordable Health Care for Families and Small Businesses Bill, which relate to prescription drug retail price disclosure; the Dental Home for Children Program, Medicaid, and the Iowa Care Program.
- Wednesday, February 7 – Testimony from various health advocates related to Division I of the proposed Bill, which involves the establishment of an Interim Commission on Affordable Health Care.
- Thursday, February 8 – Discussion of the proposed Comprehensive Affordable Health Care for Families and Small Businesses Bill.

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=37>.

STAFF CONTACT: Lisa Burk (Ext. 17942) Kerri Johannsen (Ext. 14611) Sue Lerdal (Ext. 17794)

JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Justice System Appropriations Subcommittee met the week of January 29.

January 31

The LSA presented information regarding the Governor's recommendations for funding agencies under the purview of the Subcommittee. The Governor is recommending an increase of \$41.6 million, or 7.1%, for FY 2008. Subcommittee members also viewed Board of Parole hearings over the Iowa Communications Network.

February 1

The Subcommittee received testimony related to the Board of Parole processes and budget. Vice Chair Karen Muelhaupt presented information regarding workload, and Director Clarence Key provided information regarding the budget.

Tentative Schedule



The tentative schedule for the week of February 5 includes:

- Tuesday and Wednesday, February 6 and 7 – Testimony from Commissioner Gene Meyer, Department of Public Safety.
- Thursday, February 8 – Tour of the Iowa National Guard headquarters.

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=38>.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)

TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of January 29.

January 30



On January 30, the Fiscal Services Division of the LSA reviewed the FY 2008 Governor's recommendations. In addition, Director Molly Anderson, Department of Administrative Services, provided updates on the recent water damage to the Capitol Building caused by a water pipe break, heat issues at the Capitol, and progress in the acquisition of the Mercy Capitol property.

January 24

On January 24, John Baldwin, Acting Director, Department of Corrections, reviewed the Governor's recommendations for infrastructure funding for the Department. Mike Lewis, Durrant Group, Inc., provided an update on the prison study currently in progress. The Study is entitled, "State of Iowa Systematic Study for the State Correctional System."

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=40>.

STAFF CONTACT: David Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

COMMERCIAL PROPERTY TAX TASK FORCE REPORT

Task Force

The Governor's nine-member Commercial Property Tax Task Force released a report making recommendations regarding commercial property tax and overall property tax policy.

Recommendations



The Task Force is recommending that immediate action be taken on the following:

- Commercial Property Tax Refund Strategy - Provide commercial property tax relief to the extent possible to commercial property tax owners by means of a commercial property tax refund reported on income tax forms and paid as a property tax refund.
- Education Funding Strategies:
 - Continue investing resources in accordance with 2006 legislation, which focuses on equalization of the disparities among school districts.
 - Increase the State's share of K-12 education funding by increasing the current foundation level from 87.5% to 88.5% in year 1, to 89.5% in year 2, and up to 95.0% by 2012.
 - In conjunction with increasing the foundation level (the previous recommendation), increasing the uniform levy in years 1 and 2 based on projections generated by the Department of Revenue.

21st Century Tax System



In addition to the immediate action recommendations, the Task Force is also recommending that property tax issues continue to be studied and addressed by a 21st Century Tax System Study. The Task Force cited the following main issues that require addressing:

- Decouple agriculture and residential property valuations and limit all classes of property to 2% increases and decreases annually.
- Create a more transparent property tax system.
- Improve efficiencies through sharing of local governmental services.
- Review and analyze properties exempt from property tax.

Study Report

The Task Force is recommending that the Study receive funding through an appropriation to allow for expert evaluation, with recommendations due by December 15, 2009.

Report

A copy of the full report is available on the web site at:
http://www.governor.iowa.gov/news/2007/01/26_1.php.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Shawn Snyder (Ext. 17799) Jeff Robinson (Ext. 14614)

GOVERNOR'S RECOMMENDATION ON PROPERTY TAX CREDITS

Governor's Rec.

The Governor's recommendation begins to move funding for property tax credits back to the General Fund rather than from Property Tax Credit Fund, which receives transfers from the prior year's General Fund ending balance.

The Governor is recommending a General Fund appropriation of \$40.0 million to the Department of Management and a \$119.9 million FY 2007 General Fund ending balance transfer to the Property Tax Credit Fund. This provides a total of \$159.9 million for property tax credits in FY 2008, which is no net change compared to FY 2007. The recommendation continues to cap the tax credits as follows:

- \$102.7 million for the Homestead Property Tax Credit. This is a decrease of \$287,000 compared to the FY 2007 appropriation.
- \$34.6 million for the Agricultural Land and Family Farm Tax Credit. This maintains the current level of funding.
- \$2.8 million for the Military Service Property Tax Exemption. This is an increase of \$27,000 compared to the FY 2007 appropriation to fully fund the projected claims.
- \$19.8 million for the Elderly and Disabled Property Tax Credit. This is an increase of \$260,000 compared to the FY 2007 appropriation to fully fund the projected claims.

The Governor is also recommending a \$25.0 million General Fund appropriation that would be used for commercial property tax relief.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Shawn Snyder (Ext. 17799)

EMERGENCY SERVICES INTERIM STUDY COMMITTEE MEETING

Recommendations



The Emergency Services Interim Study Committee held the final meeting on January 29. The Committee made the following four recommendations:

- Continue legislative support for the regional training centers, which are currently community colleges, with a FY 2008 appropriation from the Rebuild Iowa Infrastructure Fund (RIIF), ranging between \$3.3 and \$5.2 million.
- Have the Fire Service Training Bureau establish, by rule, a priority system for access to mobile training units in regions with partnered community colleges.
- Request the Legislative Council appoint a joint committee to monitor a comprehensive study to be commenced by the Department of Administrative Services on or before February 15, 2007, to determine if any or all of the following agencies should merge their training functions into one centralized facility.
 - Fire Service Training Bureau
 - Iowa Law Enforcement Academy
 - Department of Public Health, Bureau of Emergency Medical Services
 - Iowa Homeland Security and Emergency Management Division
- Have the General Assembly authorize three to four pilot projects allowing a county to voluntarily establish a benefited regional response district.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

PRISON POPULATION REACHES RECORD HIGH

Prison System

The prison system reached a record high population of 8,892 on January 27, 2007. The system is operating at 122.5% of designed capacity.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DEPARTMENT OF PUBLIC SAFETY, DIVISION OF CRIMINAL INVESTIGATION, DNA PROFILING STATUS

DNA Profiles



From calendar year CY 2001 to CY 2006, the Department of Public Safety's Division of Criminal Investigation (DCI) Crime Lab reported a total of 23,913 DNA profiles entered into the Combined DNA Index System (CODIS). Due to changes in HF 619 (Sex Offender Act), all convicted felons are required to provide a DNA specimen for the database, which has resulted in an 888.9% increase in DNA specimens collected from CY 2005 to CY 2006.

January 2007

For the month of January, there were 682 samples entered into CODIS, which increased the total samples entered since 2001 to 24,595.

Governor's Rec.

The Governor recommended a FY 2007 supplemental appropriation of \$220,000 for the DNA database to purchase supplies. The lab is currently on schedule to test approximately 23,000 samples in FY 2007 and to retire the current DNA profiling backlog by early 2008. The Governor also recommended status quo funding of \$342,000 for the Crime Lab Equipment Training Fund.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

This document can be found on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>